



Dear Reader

We are pleased to share with you the highlights of the budget speech of the Minister of Finance, Hon. Ramakrishna Sithanen, on 15th June 2007.

The measures announced in the budget are to large extent, along the same philosophy of last years budget of increasing the pace of economic reform. The budget is widely regarded to be business friendly with a number of initiatives to boost the key sectors of the economy.

The financial services sector has its fair share of proposed measures to reinforce its resilience and enable it to continue on a high growth trajectory.

We shall be delighted to discuss with you further the measures announced on this year's budget.

The measures that have been announced will be implemented in the Finance Act 2007 that will contain the detail provisions. These will be communicated to you in due course. The full text of the budget speech is available on our website.

Jimmy Wong

[http://www.dtos-mu.com/newsletter/budget2007speech.pdf](http://www.dtos.mu.com/newsletter/budget2007speech.pdf)

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Budget 2007

The Honourable, Minister of Finance, Ramakrishna Sithanen, delivers the Budget Speech 2007/2008, with the main themes of accelerating the transition to global competitiveness and securing full employment.

The major features of the budget can be summarised as follows:

New Financial Services Bill to strengthen Mauritius position as Global hub for Investments

- The adoption of a new Financial Services Bill, an Insurance (Amendment) Bill and a Securities (Amendment) Bill to provide an **enhanced integrated framework for both domestic and global business** and pave the way for a revamped fee structure for all licensees.
- **The legislation proposes a comprehensive framework for Collective Investment Schemes which should encourage the setting up of more funds, both domestic and global, including Real Estate Investment Trusts and Foundations.**
- Development of Alternative Financial Services such as Islamic Financial Services
- Government to support the Stock Exchange of Mauritius to set up and develop derivatives market on underlying instruments traded in other markets and to start cross listings.

Our View

Mauritius continues its journey to become a major regional investment hub and as it does so, it needs to consolidate its legislative and regulatory framework. The new legislative framework for CIS through securities Act and financial services bill would benefit the global business sector and provide a wider range of structures.

Tax administration

- A new payment system, namely the Advance Payment System ("APS"), will be introduced to corporate taxpayers to align the tax payment dates to individual taxpayers. Quarterly payments will be made according to the tax return of the preceding year. To reduce the cash flow impact in the first year of operation, the payment of tax for the previous year will be spread equally over three years. Large taxpayers (turnover over Rs100M) will be given a one-year delay and small and medium companies a two-year delay. So the first year of application of the APS will be the income year ending 30 June 2009 for large tax payers and the income year ending 30 June 2010 for small and medium companies.
- Any employer failing to submit the annual statement of tax withheld under PAYE and Tax Deduction at Source (TDS) is liable to penalties.
- All companies with annual turnover exceeding Rs30M or with more than 50 employees will be required to file their income tax and VAT returns electronically.

Our View

The applicability of APS on Global Business sector shall be clarified in the Finance Act 2007.

Corporate Tax

- The corporate tax rate of 15% instead of current 22.5% will be effective as from 1 July 2007 (year of assessment 2008/2009), instead of the income year ending 30 June 2010 following the amendment made by the Finance Act 2006 to the Income Tax Act ("ITA 1995").

Our View

Accelerated downward revision of corporate tax reinforces Mauritian vision of remaining a low tax jurisdiction in future years.

Personal Income Tax

- Tax rate has been reduced from 22.5% to 15% as from 1 July 2007 (year of assessment 2008/2009).

Our View

Accelerated downward revision of income tax provides Mauritius to attract global talent to feed its growing reputation as financial hub and secure its rank of professionals from venturing overseas for better remuneration.

Integrated Resort Schemes

- A company, trust or société acquiring an IRS property eligible for one residence permit
- Holders of Residence Permit under the IRS (Integrated Resort Scheme) automatically eligible for an Occupation Permit
- IRS buyer allowed to borrow only in foreign currency;
- Permission to construct other types of residential property, besides villas and sell non-residential components, including spa, restaurant, golf course and commercial space;
- Small land owners (less than 10 acres) allowed to engage in IRS projects.

Our View

Liberalization in allowing foreign investment in real estate sector of Mauritius shows commitment to develop international economy with participation of global community. It gives an opportunity for employees/promoters of GBL companies to own property in Mauritius.

Investment in infrastructure

- Budget proposes investment of USD 130 Million in modernizing and expanding the airport at expense.
- Investment of USD 25 Million in improving road infrastructure
- Investment into new state of the art city

Our View

Mauritius understands the importance of Modernization and development of new and existing infrastructure to bring the global investments into active play.

Opening up of the economy

- Business visa to increase from 90 to 180 days
- Foreigners working less than a year will be given Short term residence permit of upto 9 months, extendable for a maximum period of 3 months
- Law Practitioner's Act amended for the establishment of law firms or corporations by both Mauritians and foreigners
- Amendment of the NON- Citizens (property restriction) Act allowing foreigners in Mauritius for at least 3 years and earning a minimum basic salary of Rs. 150,000 to purchase property and to obtain a permanent residency.
- By mid-2008, the Judicial Committee of the Privy Council to sit in Mauritius

Our View

This budget is all about liberalization, preparing healthy ground for foreign investment and developing Mauritius as an international hub for global investment with low tax regime.

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